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Proposed New Tax Base for City of Portland (Portland Measure 55)

City Club of Portland (Portland, Or.)

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REPORT on PROPOSED NEW TAX BASE FOR CITY OF PORTLAND

An Act amending the City Charter by adding the following section:

"Section 7-120. INCREASE OF PROPERTY TAX BASE. For the purposes of computing the property tax levy which may be made by the City of Portland for general expenses of the City for the fiscal year 1955-1956 in accordance with the provisions of Section 11, Article XI of the Constitution of Oregon, the tax base shall be increased from the present base of \$8,619,901.73 to \$10,400,000 and in subsequent years such tax base may be computed from the new base hereby established. From and after July 1, 1955, no further license shall be imposed or collected which is measured by gross or net income, except for public utilities which shall not be affected."

TO THE BOARD OF GOVERNORS,
THE CITY CLUB OF PORTLAND:

Your committee was appointed to study and report upon the above City Measure No. 55, which has been proposed by the City Council and is to appear on the ballot at the general election of November 2, 1954.

ANALYSIS OF MEASURE AND ITS RESULTS

The following are the important features and results of this measure and of the plans of the City Council in the event of its approval by the voters:

1. The tax base of the city would be increased from \$8,619,901.73 to \$10,400,000, which would yield an additional \$1,780,098.28 in revenue and the 6% permissible annual increases would in the future be computed from the new tax base.
2. The present Business, Professional and other License Taxes, which yield an estimated income of \$1,850,000.00, would be repealed, except that flat fee licenses would be re-enacted to yield an income of \$445,000.
3. The measure, which would be adopted as a charter amendment, would specifically prohibit the City Council from ever again levying license taxes based on gross or net income, except for public utilities.
4. The balance of the net gain in revenue from the new tax base, i.e., the estimated sum of \$375,098.27 which would remain after repealing business and professional license taxes, would be used by the City Council in increasing the wages of certain classes of city employees, including policemen and firemen.

SOURCES OF INFORMATION

Your committee or its representatives have interviewed Mr. Ormond R. Bean, Commissioner of Finance, City of Portland; Mr. George Baldwin, Multnomah County Tax Supervising and Conservation Commission; Mr. C. C. Chapman, Editor of the Oregon Voter; Mr. Robert M. Hall, Chairman of the Taxation Committee, Portland Chamber of Commerce; and Rudie Wilhelm, Jr., Speaker of the House of Representatives, State of Oregon.

ARGUMENTS ADVANCED IN FAVOR OF THE MEASURE

The proponents of the measure make the following claims:

1. An increase in the tax base for the City of Portland is justified because:
 - a. Property tax levies for the City of Portland have lagged behind those for School District No. 1 and Multnomah County, which have more regularly taken

advantage of the 6% increase in the tax base permitted each year under statute and, in the case of the School District, have also recently increased their tax base by special ballot measure, a similar measure now also being submitted to the voters to increase the tax base for Multnomah County.

- b. The cost to property owners of the proposed increase in the tax base will not be excessive, since present property taxes in Portland are not now excessive from a comparative standpoint and since the proposal would require an increase of the millage vote of only 2.71 mills, or an increase in property taxes of approximately \$6.78 per year for every \$2,500 of assessed valuation—the assessed value of the average home in Portland.
2. The business and professional license tax is an unfair and inequitable tax and should be repealed and its re-enactment forbidden because:
 - a. Its rates are high and it has resulted in irritation and bad public relations out of proportion to the additional income received and it has discouraged business from coming to and remaining in Portland.
 - b. The tax is not being uniformly enforced and is being successfully evaded to a large degree.
 - c. By imposing a tax on all business transactions handled through offices in Portland, even though involving sales and deliveries made outside Portland, it imposes an unfair penalty on business in Portland and if other Oregon cities should adopt similar taxes there would be an unbearable "criss-crossing" of taxes upon the same transactions and upon branches of the same businesses.
 - d. Taxes based on income belong properly in the field of state and federal taxation and should be avoided by cities, which should rely primarily upon the property tax as a source of income.

Among those in favor of the measure are the Portland City Council, the Portland Chamber of Commerce, the citizen's advisory committee to the Multnomah County Tax Supervising and Conservation Commission and Rudie Wilhelm Jr., Speaker of the House of Representatives, State of Oregon.

ARGUMENTS ADVANCED AGAINST THE MEASURE

The opponents of the measure make the following claims:

1. The millage rate of property taxes in Portland is already so high (59.1) that the imposition of any additional millage — no matter how small — should be avoided unless absolutely necessary. If both this and other ballot measures now proposed are approved, the millage rate will exceed 70. mills and will approach the "saturation point."
2. The business and professional license tax, while perhaps no more popular than any new tax, is now working quite smoothly and at a low cost of collection, and has the advantage of reaching a class of taxpayers who benefit from city services, but who either live outside the city or require a relatively small investment in property for the operation of their business.
3. There is a nation-wide trend for cities to seek sources of revenue other than the property tax, so that to both repeal the business and professional license tax and prohibit the future adoption of such a tax without providing some other non-property source of income would be both contrary to this national trend and unfair to property owners in Portland.

Among those opposed to the measure are C. C. Chapman, Editor of the Oregon Voter, The Oregonian, The Journal and the Central Labor Council.

PROPERTY TAX IN PORTLAND — HISTORY AND OUTLOOK

Period 1930 to 1945

City. For the period 1930 through 1945 tax levies for the City of Portland were quite constant, with a millage rate of 18.6 and a total levy of \$6,458,430.00 in 1930 and a millage rate of 20.0 and a total levy of \$6,839,462.90 in 1944-45.

School District and Port. During the same period the millage rate and total levy for

School District No. 1 was also quite constant, the millage rate being 12.7 in 1930 and 12.2 in 1944-45, while the total levy was \$4,456,450.62 in 1930 and \$4,339,501.51 in 1944-45. The much smaller millage rate and total levy for the Port of Portland dropped from a rate of 2.6 and a levy of \$962,795.33 to a rate of 1.1 and a levy of \$415,573.56.

County. At the same time, however, the millage rate and total levy for Multnomah County increased from a rate of 8.1 and a levy of \$3,074,167.97 to a rate of 12.6 and a levy of \$4,950,607.48.

Total Levies. Thus, the total combined millage rate and total levy for these four taxing agencies increased somewhat moderately for this 15 year period from a millage rate of 42.0 and a total levy of \$15,021,843.93 in 1930 to a millage rate of 45.9 and a total levy of \$16,545,151.45 in 1944-45, due primarily to the increase in millage rates and total levy for Multnomah County.

Other Tax Levies. During this same period there were also smaller Property tax levies for the State Elementary Schools and State General Fund and for the County Schools, the former two having since been discontinued in 1941, at least temporarily, and the latter now being included in the county levy. Including these additional levies, but considering the cessation of state levies in 1941, the total millage rate for Multnomah County decreased from 49.8 in 1930 to 45.9 in 1944-45.

For detailed figures in support of the foregoing see Appendix, Table A.

Period 1945 to 1954-55

City. Since 1945 millage rate for the City of Portland has decreased somewhat, from 20.0 in 1944-45 to 18.6 in 1954-55, which is exactly the same as in 1930. But as a result of an increase in property valuation, the total levy has nearly been doubled, increasing from \$6,839,462.90 in 1944-45 to \$12,193,983.48 in 1954-55.

School District and Port. Since 1945 School District No. 1 has not only nearly doubled its millage rate, from 12.2 in 1944-45 to 23.9 in 1954-55, but has nearly quadrupled its total levy, from \$4,339,507.51 in 1944-45 to \$16,478,952.19 in 1954-55. The millage rate for the Port of Portland also increased from 1.1 in 1944-45 to 1.6 in 1954-55 and its total levy from \$415,573.96 to \$1,208,824.18.

County. The millage rate for Multnomah County (now including the county school levy) also increased from 12.6 in 1944-45 to 15.0 in 1954-55 and its total levy from \$4,950,607.48 to \$11,815,036.13.

Total Levies. Thus, the total combined millage rate has increased from 45.9 in 1944-45 to 59.1 for 1954-55, an increase of 28.8%, while the total levy for these taxing agencies has increased from \$16,545,151.45 in 1944-45 to \$41,696,795.98, an increase of 152%.

For detailed figures in support of the foregoing, see also Appendix, Table A.

It is also important to note that while the millage rates and total levies for School District No. 1, the Port of Portland and Multnomah County have increased much more than for the City of Portland, these other taxing agencies are dependent almost entirely upon the property tax as a source of revenue. On the other hand, as demonstrated below, the City of Portland, like most Cities, is not limited to the property tax as a source of revenue and the trend, both for Portland and for other large cities, is to depend more and more upon other sources of revenue, most of which are not available to the School District, Port and County.

Outlook for Property Tax Rates in Portland for 1955-1956. If all of the tax proposals now awaiting approval of the voters in November, 1954, should be approved, the millage rate for the City of Portland alone would be approximately 26.5 mills, as compared with 17.2 mills in 1953-54, an increase of 54.1% in two years. And the combined millage rate for real property in Portland would be 70.7 mills as compared with 53.5 mills in 1953-54, an increase of 32.1%. This also does not consider the possibility that the State of Oregon may at the 1955 legislature vote a state property tax levy in view of its present need for additional revenues.

For detailed figures in support of the foregoing, see Appendix, Table B.

Property Taxes in Portland and Other Cities. As for comparative statistics, the following conclusions appear from the source material set forth in Appendix, Table C, as read in conjunction with Tables A and B.

TABLE A
Comparison of levies and Tax Rates from 1930-1954-55

YEAR	COUNTY OF MULTNOMAH		CITY OF PORTLAND		SCHOOL DIST. NO. 1		PORT OF PORTLAND	
	Total Levy	Millage	Total Levy	Millage	Total Levy	Millage	Total Levy	Mill- age
1930	3,074,167.97	8.1	6,458,430.01	18.6	4,526,450.62	12.7	962,795.33	2.6
1931	3,217,206.30	8.4	6,749,572.84	19.3	4,669,831.60	13.0	934,024.43	2.5
1932	4,228,050.59	11.3	6,742,471.63	19.8	4,726,436.87	13.5	656,386.64	1.8
1933	5,368,843.79	15.1	6,384,381.10	19.8	3,651,069.07	11.0	553,891.76	1.6
1934	5,435,356.85	17.0	5,732,411.26	19.8	3,523,496.34	11.8	435,678.38	1.4
1935	5,166,209.99	16.2	5,772,179.70	20.0	3,454,603.31	11.6	434,556.48	1.4
1936	5,572,364.25	17.9	5,739,734.51	20.4	3,658,857.02	12.6	454,120.27	1.5
1937	5,165,237.49	17.2	6,168,300.94	22.8	3,782,661.10	13.6	408,566.23	1.4
1938	5,225,822.73	17.4	6,397,045.94	23.7	4,025,916.62	14.5	408,575.03	1.4
1939	5,447,658.99	18.1	6,668,979.01	24.7	4,113,968.90	14.8	556,059.18	1.9
1940	5,730,531.00	19.3	6,834,775.45	25.7	4,246,150.68	15.5	548,343.48	1.9
1941	5,458,251.83	18.5	6,742,427.91	25.6	4,345,622.29	16.0	544,736.64	1.9
1942	2,445,852.30	7.1	3,549,009.15	11.6	2,501,105.66	7.9	200,910.06	0.6
1942-43	5,040,988.99	14.1	6,740,248.89	21.3	4,449,583.74	13.6	208,635.12	0.6
1943-44	5,258,850.17	14.0	6,684,820.55	20.3	3,106,329.04	9.1	181,560.39	0.5
1944-45	4,950,607.48	12.6	6,839,462.90	20.0	4,339,507.51	12.2	415,573.56	1.1
1945-46	5,459,527.83	13.6	7,452,295.45	21.4	3,690,400.54	10.2	348,620.59	0.9
1946-47	5,687,680.41	13.8	8,082,016.52	22.7	4,055,454.56	10.9	318,347.04	0.8
1947-48	7,924,606.29	16.4	8,050,888.06	19.4	6,919,900.26	15.9	326,513.59	0.7
1948-49	7,760,766.97	14.2	8,149,582.50	17.4	10,463,165.24	21.3	316,708.63	0.6
1949-50	7,267,580.95	12.3	9,172,520.17	18.1	10,566,786.67	19.9	399,626.96	0.7
1950-51	7,606,893.62	12.5	9,288,997.72	17.9	11,046,083.51	20.3	469,623.82	0.8
1951-52	9,277,787.02	14.4	9,429,816.55	17.2	13,508,924.71	23.6	741,716.92	1.2
1952-53	9,797,595.38	13.6	10,037,513.26	16.5	14,132,187.60	22.2	1,106,122.82	1.6
1953-54	9,708,397.91	12.7	11,063,557.22	17.2	14,961,786.81	22.2	1,028,162.78	1.4
1954-55	11,815,036.13	15.0	12,193,983.48	18.6	16,478,952.19	23.9	1,208,824.18	1.6

TABLE B

A Forecast of Possible Tax Rates for the Major Units of Local Government in Multnomah County for the Fiscal Year Commencing July 1, 1955

County of Multnomah	16.7 mills
1. Assuming voter approval of new tax base.	
2. Assuming levy for one year's requirement for retirement of bridge bonds totalling \$15,500,000 issued for 10 years.	
3. Assuming a 3% increase in assessed valuations.	
School District No. 1	25.6 mills
1. Assuming full levy of new tax base.	
2. Assuming a 2% increase in assessed valuations.	
Port of Portland	1.9 mills
1. Assuming a 3% increase in assessed valuations.	
City of Portland	26.5 mills
1. Assuming passage of city measures on November ballot.	
2. Assuming levy for one year's requirement for retirement of \$8,000,000 Exposition-Recreation Bonds issued for 20 years.	
3. Assuming a 2% increase in assessed valuations.	
Total Combined Millage within City of Portland	70.7 mills
(Not including possible state levy)	
If bridge bonds are sold on 20 year basis deduct	0.8 mills
If all measures on November city ballot fail, deduct	6.5 mills

COMPARISON OF TAX RATES

	1953-54 (Actual) Mills	1954-55 (Actual) Mills	1955-56 (Estimated) Mills
County of Multnomah	12.7	15.0	16.7
School District No. 1	22.2	23.9	25.6
Port of Portland	1.4	1.6	1.9
City of Portland	17.2	18.6	26.5
Totals	53.5	59.1	70.7
		(Plus possible state tax)	

- Both the 1953-54 millage rate for the City of Portland and the combined millage rate in Portland were below the average comparable millage rates for other Oregon cities. The 1954-55 city millage rate and combined millage rate probably are still somewhat below average. If, in addition to the tax measures approved by the voters in May, 1954, the voters should approve the ballot measures now submitted for vote in November, 1954, the millage rate for the City of Portland alone would be substantially higher than the average rate for other Oregon cities, but the combined millage rate in Portland of all taxing bodies would still probably be lower than the average combined rate for other Oregon cities.
- Even in 1953-54 the proportion of the total combined millage rate levied by the City of Portland alone (17.2 out of 53.5) was a substantially higher proportion of the combined millage rate than for any Oregon City except Medford.

No comparative statistics showing the city and combined millage rates in cities of comparable size in other states were available to your committee.

BUSINESS AND PROFESSIONAL LICENSE TAX — HISTORY AND OPERATION

History of Tax

In 1949 Ordinance No. 89196 was adopted, imposing a license tax based upon gross income upon businesses and professions and also imposing a tax on salaries and wages. A referendum from this ordinance was taken to the voters for the election of May, 1950. The City Club of Portland approved a report dated April 28, 1950, in favor of this ordinance and which discusses its history and the arguments "pro and con" in some detail. The voters, however, rejected Ordinance No. 89196.

The City Council, after some experimentation, in 1951, adopted the present system of license taxes, which offer businessmen and professionals an alternate choice between a tax on gross income and one upon net income. In addition, flat fee licenses are also

TABLE C
Tax Rates in Mills for Oregon Cities — 1953-54

City	County Assessment Ratio	County	Tax Rate in Mills by levying unit	School	City	Other*	Other*	Combined Tax Rate in Mills	Combined Tax Rate in Mills 50% Basis
Over 50,000 Population									
Portland									
Clackamas County	44	10.9	25.2	19.5	...	...	...	55.6	48.9
Multnomah County	55	12.7	22.2	17.2	1.4p	...	...	53.5	58.9
25,000 to 50,000 Population									
Eugene	44	7.1	53.6	20.6	...	...	...	81.3	71.5
Salem		7.1	53.6	20.6	4.0w	...	...	85.3	75.0
Marion County									
Marion County	36	18.5	46.3	24.1	...	...	...	88.9	64.0
Polk County	36	18.5	46.3	24.1	3.1w	...	...	92.0	66.2
Polk County	32	20.7	52.2	27.0	...	...	...	99.9	63.9
10,000 to 25,000 Population									
Albany*	38	11.9	60.1	18.9	...	...	...	90.9	69.1
Astoria	36	15.9	42.6	23.3	6.9p	4.7r	...	93.4	67.2
Bend	33	15.7	62.4	35.0	...	...	...	113.1	74.7
Corvallis	42	13.8	42.0	15.6	...	...	...	71.4	60.0
Klamath Falls	37	21.1	49.2	26.0	...	...	...	96.3	71.3
Medford	43	5.7	32.2	20.2	...	...	...	58.1	50.0
Pendleton	45	11.61	42.28	12.00	.48p	...	...	66.37	59.7
Springfield	44	7.1	42.9	24.5	4.7pr	...	...	79.2	69.7
5,000 to 10,000 Population									
Ashland	43	5.5	54.9	17.9	.5h	...	...	78.8	67.7
Baker	46	16.07	30.54	21.15	...	...	...	67.76	62.4
Coos Bay	45	14.3	58.2	21.1	1.7p	.3h	...	95.6	86.1
Grants Pass	43	10.1	50.7	24.2	...	...	...	85.0	73.1
Hillsboro	34	21.8	56.0	15.7	...	...	...	93.5	63.6

*Type of district making levy indicated by letter as follows: p—Port. pr—Park and Recreation. r—Road. h—Hospital. w—Water.

imposed upon various businesses. No city tax is now imposed upon salaries and wages. No referendum was taken on these measures and it appears that the business and professional license tax on a gross or net income basis was regarded as an emergency measure and that there may have been some commitment to repeal it when circumstances permitted.

Administration of Tax and Claimed Inequities. It is undoubtedly true that the tax was very unpopular, as is usually true of any new tax, and this unpopularity may to a large extent be true today. Opponents of the tax have, however, not offered any evidence to support the general contention that the tax has served to discourage business from coming to and remaining in Portland.

It has been impossible also for your committee to determine whether the tax is not being properly and uniformly enforced and administered, as claimed by its opponents. It is stated by Commissioner Bean that the administration of the tax is now proceeding smoothly and with a minimum of complaints.

It is undoubtedly true that the tax, as now drafted and administered, is arbitrarily unfair in imposing a tax on sales, deliveries and other transactions consummated outside the city when handled through offices located within the city.

Most opponents of the gross or net income license tax admit, however, that this and most other objections, such as their claims of improper administration and enforcement, could to a large degree be corrected by amendments to the ordinance and by its proper administration and are not necessarily inherent in this type of taxation.

Trend of Cities Toward Non-Property Sources of Income. No statistics were available to your committee on this subject for the years since 1949. In 1942 the property tax provided 87% of the total taxes collected by all cities in the United States between 250,000 and 500,000 in population, as compared with 77.2% from property taxes in 1949. During the same period and for the same cities license taxes, sales taxes and other non-property taxes increased their percentage contribution from 13% in 1942 to 22.8% in 1949. ("Municipal Non-Property Taxes," 1951 Supp., Municipal Finance Officers Association. p. 1)

Portland has kept pace with this trend. In 1942-43 property taxes furnished 91.7% of total revenue, as compared with 72.7% in 1950-51, and license fees and other non-property taxes furnished only 8.3% of total revenue in 1942-43, as compared with an increase to 27.3% in 1950-51.

Experience of Other Cities with Gross Income Taxes. As of June 30, 1951, there were 196 cities over 10,000 population in 26 states using gross receipts license taxes as a source of income, with an average rate of 44/100 of 1% and an average per capita yield of \$5.08 and a total yield of \$113,140,000. According to "Municipal Nonproperty Taxes" 1951 Supp., published by the Municipal Finance Officers Association, (the source of the foregoing figures) at p. 26:

"From a yield standpoint, then, this source of revenue stands high. Administratively, it is somewhat more difficult to administer than flat rate licenses, licenses based on physical output, or licenses based on physical volume such as seating capacity, or numbers of units used, to the extent that gross receipts may be more difficult to verify than other factors. A larger audit field staff may be required, but costs of such a staff may be partially offset if it is used for other investigational and audit functions of the municipality. In relation to revenue obtained, costs of administration are low. Gross receipts taxes, if the rates and classes are properly determined, can be made to wed benefit and ability-to-pay concepts of taxation better than other forms of business license taxation."

MAJORITY CONCLUSIONS

1. Property tax rates in Portland, although perhaps not as high as in some other cities, are already high and neither the millage rate for the City of Portland nor its tax base should be further increased except upon a proper showing of need for *additional* revenue. The fact that the county and school districts have increased their tax base faster than the city is persuasive, but not controlling, for the reason that they are limited to the property tax as their primary source of income, while cities are not so limited and tend more and more to rely on nonproperty sources of income.

2. The present business and professional license tax, as now drafted and admin-

istered, is not fair and equitable, but a serious attempt should be made either (a) to correct these inequities by amendment or by better administration, or (b) to provide some other nonproperty source of income before shifting the burden of this tax upon the already heavily burdened property owner. Much less should the city charter be amended to bar the future adoption of such a tax, regardless of emergency or need, at least until the foregoing alternatives are exhausted.

3. Proposals for increased or new taxes should be submitted to the voters by the City Council in a manner so that such proposals can stand alone on their merits to be accepted or rejected, rather than to follow the practice of "tying-in" tax proposals with alternate proposals, with the result of confusing the issues and preventing the voters from considering tax proposals on their individual merits.

MAJORITY RECOMMENDATION

The majority of your committee recommends that the City Club go on record as opposing the measure.

Respectfully submitted,
J. V. B. COX
ALLEN G. FLETCHER
CHARLES A. KILGORE
THOMAS H. TONGUE, *Chairman*

MINORITY REPORT

TO THE BOARD OF GOVERNORS,
THE CITY CLUB OF PORTLAND:

As a member of the committee authorized to study City Measure No. 55, Section 7-120, INCREASE OF PROPERTY TAX BASE, I find that my conclusions, drawn from our research and interviews, are at variance with those of the majority of the committee.

In my opinion, the highly undesirable aspects of gross receipts and net income features of the City license tax are so great, and the city's needs for additional revenue so pressing, that they outweigh any sound arguments advanced in opposition to the measure.

BACKGROUND INFORMATION

1. Discussions with city officials concerned with administration and enforcement of the City License Tax have revealed that continuous controversy over provisions and difficult problems of enforcement have existed since the inception of the tax. Opponents of the ballot measure have argued that these problems could be resolved by appropriate modifications and improvements in administration. The difficulties experienced by the Federal and State governments in the field of income taxation have been pointed to by others as evidence that complex problems of administration are inherent in this type of taxation.

2. The Oregon 6% constitutional tax limitation was enacted with the apparent intention of giving public administrators reasonable freedom to levy property taxes within the limits of the taxpayers' consent. During periods of relative monetary stability the limitation appears to have worked successfully as is evidenced by the fact that the increases in the tax base which were permitted under the law were not always taken up through 1945-46. During the year 1946-47, and in the ensuing years, the combination of monetary inflation and city growth created additional budget needs that the City was not able to raise by property taxes within the 6% limitation. The City License Law, as presently operating, was an emergency measure to enable balancing of the City budget in view of the aforesaid circumstances.

The ballot measure authorizing an increase in the tax base in excess of that provided by the 6% limitation was made possible by an amendment to the Oregon constitution which was referred to the people and approved by a ratio of approximately seven to four. It became effective December 1, 1952. The ballot measure is the first effort that has been made by the City to utilize the provisions of this amendment.

It may be of interest to know that if City revenue needs had increased evenly since 1941, and if as a result the City had taken all the increases in property taxes allowed by the 6% limitation since that time, the present tax base would already be higher than the new base to be provided by the measure.

ARGUMENTS FOR THE MEASURE

1. The measure eliminates gross and net income features of the City license fees. This provision of the measure is highly desirable for the following reasons:

(a) The gross receipts tax rate of \$1.40 per \$1,000.00 is highly inequitable, among various taxpayers, because it ignores the differences in profit margins earned on sales by various types of businesses.

(b) The net income tax of 2%, which is intended to give relief to those affected inequitably by the gross receipts tax, causes hardship to these taxpayers because the rate is exorbitant when added to the 8% corporation excise tax or personal income tax assessed by the State of Oregon.

(c) Many businesses, such as beer and liquor sales, dog and horse racing, insurance companies, banks, real estate brokers, real estate owners and operators, are not subject to the present City Business Tax either because the State law which licenses them prevents assessment by the City or because the City administration has not believed it is feasible to assess them.

(d) The gross receipts and net income features of the present license laws are very difficult to administer successfully without unreasonable cost, due to the many problems which arise involving interpretations of provisions, segregation of sales, allocation of income, etc. This area of taxation would best be left to the Federal and State governments which are already exploiting it fully, and which are collecting large enough sums to justify the heavy enforcement and administration expenses required.

(e) It is claimed and is reasonable to assume that certain types of business have been lost to Portland as a result of the present license law, either by removal from Portland or by deciding against opening an office in Portland. This is undoubtedly due in part to the provisions of the law taxing out-of-city sales made by Portland sales offices or made from stocks of goods held in Portland.

2. The net increase in City revenue, in the approximate amount of \$375,000.00 which will result from the measure is needed to increase wages of certain city employees to levels comparable to private employment.

3. The 6% constitutional limitation amendment recently approved by the voters was passed in order to make the tax base of taxing agencies more realistic and to bring it in line with current needs. Therefore, the amendment should be utilized to give the city the revenue now required.

CONCLUSIONS

1. The arguments for the measure which point to the highly undesirable features of the present City License Law are valid and sufficient to justify the elimination of the gross receipts and net income features of the law.

2. The arguments for the need of additional revenue to raise the compensation rates of certain City employees, and the complete absence of any arguments opposing this need, are sufficient to make this reason for the measure convincing.

3. The tax base increase will not unduly increase the property tax levy. It is unfair to oppose this tax measure on the assumption that all other measures on the ballot will pass and therefore make the total tax rate excessive.

RECOMMENDATION

Therefore, it is recommended that the Minority Report of the Committee be adopted, and that the City Club go on record as being in favor of the proposed measure.

Respectfully submitted,

TIMOTHY F. MAGINNIS

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Received by the Board of Governors October 25, 1954, and ordered printed and submitted to the membership for discussion and action.